

Agenda Date: April 28, 2004
Item Number:

Docket: UW-040256
Company Name: H&R Waterworks, Inc.

Staff: Jim Ward, Regulatory Analyst

Recommendation:

Allow the revised Tariff Revisions filed by H&R Waterworks, Inc., in Docket UW-040256 to become effective May 1, 2004.

Discussion:

On February 13, 2004, H&R Waterworks, Inc., (H&R Waterworks or Company) filed to increase rates by approximately \$22,955 (16%) of annual revenue. The Company serves approximately 404 customers. These customers are on ten different water systems near Olympia in Thurston County with one water system in Mason County. The last general rate increase was effective October 15, 1998.

The Company states that the increase is to help recover the expenses of wages, insurance, regulations for quantity and quality of water service and new regulatory fees to operate.

Part of this rate increase is the removal of the 400 cubic feet allowance as part of the base charge. Zero allowance rate design encourages conservation and ensures low end users pay for only the water they use. The Company will also change its billing cycle from bimonthly to monthly meter reading and billings. Additionally, the Company is adding several ancillary charges to its tariff.

The Commission received four letters opposed. Customers believe the proposed rate design, change from bimonthly billing to monthly, and the proposed late payment fee is a method for the Company to increase its profits. Customers believe the Company should look for ways to decrease its operating expenses. Current, proposed and revised rates are provided below.

<u>Monthly Rate</u>	<u>Current</u>	<u>Proposed</u>	<u>Revised</u>
Flat Rate Service	\$ 29.17	\$ 35.05	\$ 33.55
Metered Rate Service (400 cubic feet)	\$ 22.57	N/A	N/A
> 400 Per 1 cubic feet	0.0110	N/A	N/A
Metered Rate Service (Zero Allowance)	N/A	\$ 24.00	\$ 21.40
0 – 800 Per 1 cubic feet	N/A	0.0110	0.0110
> 800 Per 1 cubic feet	N/A	0.0162	0.0144
Apartment Flat Service (per unit)	\$ 17.41	\$ 18.50	\$ 18.50
Ready To Serve	\$ 3.00	\$ 9.27	\$ 9.27
State Public Utility Tax	Included	5.029%	5.029%

<u>Ancillary Charges</u>	<u>Current</u>	<u>Proposed</u>	<u>Revised</u>
Late Payment	N/A	\$ 3.50	\$ 3.50
New Account Setup	\$ 10.00	\$ 15.00	\$ 15.00
Special Meter Read	N/A	\$ 25.00	\$ 25.00
NSF Charge	\$ 10.00	\$ 15.00	\$ 15.00
State Public Utility Tax	Included	5.029%	5.029%

Taxes will be calculated on the total bill and added to final bill.

The Company has proposed that the rate design be adjusted for suppression of use due to customers paying for all the water they would now use. Previously a water allowance of 400 cubic feet was included in the base charge per month. The Company believes that customers will use less water with a rate increase and a shift in paying for all water consumed. Staff does not have adequate information or any statistical models that what calculate any amount of suppression and how to design rates to accommodate any suppression. Staff has found that typically customers return to past practices after any initial short-term rate shock they may have. Any long-term reduction in use would be taken into consideration at the next rate filing.

Company and Staff have agreed that the revised rate design is appropriate. Therefore, Staff recommends that the Commission allow the revised Tariff Revisions filed by H&R Waterworks, Inc., in Docket UW-040256 to become effective May 1, 2004.